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Jim Doyle
Governor

Roger M. Ervin
Secretary of Revenue

Ways and Means Committee Hearing, January 17, 2007

AB 20 – Relating to Providing Loans to Persons Who are Paying More Property Taxes as a Result of Department of Revenue Errors in Calculating Equalized Value and Making an Appropriation

Description of Current Law and Proposed Change

Equalized value is used to allocate property tax levies of multiple-municipality entities (such as the state, counties, technical college districts, and school districts) to each constituent municipality. If the equalized value is overstated or understated, the amount of tax levies allocated to that municipality will thus be overstated or understated. Currently, errors in equalized values are corrected by adjusting the subsequent year's equalized value, as required under s.70.57 (1) (d). Thus, over a two-period, the total levies allocated to a municipality will total to the correct amount.

Under the bill, if a municipality's equalized value is overstated by 10% or more do to a Department of Revenue error, the municipality may receive a payment from the state equal to the total amount of loans it makes to property owners whose taxes were higher due to the error. A taxpayer may receive a loan if he or she applies to the municipality no later than July 31 of the following year (the due date for the final installment of property taxes affected by the error). The maximum amount of the loan is the amount by which the taxes were increased due to the error in equalized values. The loan is recovered as a special charge on the taxpayer's subsequent year's property tax bill, which the municipality then pays back to the state. No interest is charged to either the municipality or individual taxpayers.

Fairness/Tax Equity

- The bill would permit a property owner to pay the "correct" amount of property taxes in both the year of the error and the following year, instead of waiting a year for the error to be corrected, as happens under current law.

- The bill may be especially beneficial to taxpayers for whom the erroneously higher taxes are a financial burden.

Impact on Economic Development

- The bill has no effect on economic development.

Administrative Impact/Fiscal Effect

- For the 2006/07 property tax year, only the Town of Oregon in Dane County would be affected by the bill. The error in the Town's equalized value increased the property taxes allocated to the Town by a total of about $578,000. Thus, if every taxpayer in the Town requested a loan for the amount by which their 2006/07 tax bills were overstated, total loans would be about $578,000. Since some taxpayers are likely not to request a loan, the actual amount that will be borrowed will be less than $578,000. The Department is unable to reasonably project how many taxpayers would request these loans if the bill is enacted.

- The Department of Revenue's administrative costs under the bill will be absorbed within existing budgetary authority. The Town of Oregon will have some administrative costs related to administering the loans.

DOR Position

- DOR supports the bill.

- There is, however, a technical issue that needs clarification. As written, the bill might apply to those cases where the error in equalized value is due to errors made by municipalities in the data they report to the Department. If the intent of the bill is to only permit the loans in those cases when the error in equalized value is due to an error made by the Department of Revenue, the bill may require a narrowing amendment.

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